

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN ADJUSTMENT OF RATES OF COLUMBIA GAS OF KENTUCKY, INC.	}	CASE NO. 90-063
---	---	-----------------

O R D E R

IT IS ORDERED that Columbia Gas of Kentucky, Inc. ("Columbia") shall file the original and 12 copies of the following information with the Commission by September 5, 1990, with a copy to all parties of record. Each copy of the data requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the witness who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure that it is legible. Where information requested herein has been provided along with the original application, in the format requested herein, reference may be made to the specific location of said information in responding to this information request. When applicable, the information requested herein should be provided for total company operations and jurisdictional operations, separately.

1. An analysis of Columbia's monthly reports filed with the Commission reflects that certain accounts are recorded using a

so-called "revenue curve," i.e., depreciation expense. Identify all accounts booked using the revenue curve and the rationale for this method of recordkeeping. In addition, provide a narrative of the impact this method has on the development of booked monthly income taxes, i.e., total tax liability, tax payable, and deferred taxes.

2. Explain the use of Account 173, Accrued Utility Revenues and its impact on rate base or cost of service. What is a typical entry?

3. In his testimony, Mr. Irwin discusses the Tax Schedule M adjustments made for rate-making purposes, i.e., those in column 7 of his revised Schedule C-5. In columns 2 and 4, significant adjustments are made without the benefit of any discussion. On an item-by-item basis, provide the Commission an explanation of these adjustments and the reasoning for the proposed modifications or eliminations.

4. With regard to deferred tax adjustments to the rate base as shown on Schedule B-6, provide the monthly balances of all subaccounts to Accounts 190, 255, 282 and 283 from November 1988 to present and forecasts for the remainder of 1990. Significant adjustments are shown in columns B and D without explanation. On a subaccount basis, provide an explanation and rationale for these adjustments.

5. Provide a reconciliation of the adjustments to the deferred tax balances requested above and the "Schedule M" adjustments.

6. In arriving at December 1989 tax balances as shown in the monthly report on file with the Commission, an extraordinary tax level are recorded both above- and below-the-line. Provide an explanation of all extraordinary tax transactions in the month of December on both the income statement and balance sheet. Are the extraordinary levels typical for December? The prior 2 years contain similarly atypical levels. Explain.

7. In order to analyze Columbia's tax calculations, provide in a format similar to Schedule C-5, a calculation of Columbia's income tax expense for February, August, and December 1989. Make appropriate references.

8. Provide a calculation on a monthly basis for the base period and forecasted period of interest expense and related AFUDC; the calculation should include on an itemized basis all components of debt and the applicable cost rate.

9. With regard to nominated gas purchases, provide a copy of the contract or agreement with Columbia Gas Systems establishing the prices and level of gas to be nominated. All amendments should be attached and dated.

10. In Schedule B-5.1, page 4, dollar levels are shown for the base and forecasted periods for nominated gas. Provide an analysis with the volume and prices for each of these dollar balances including the monthly additions or deductions. In addition include an analysis of 1988. State the method of accounting for this account, i.e., LIFO, FIFO, average, etc. Also show actuals for 1990 for those months available.

11. Provide a similar analysis for firm storage.

12. What event and/or factors caused Columbia to initiate firm storage? Why did Columbia pursue the initiation of firm storage at this time? Provide any analysis conducted.

13. Provide copies of the 1990 monthly general ledger as they become available. (Deviation from number of copies may be requested.)

14. Provide a copy of the 1989 federal and state income tax returns for Columbia and for Columbia Gas Systems.

15. With reference to Columbia's proposed 5 percent wage and salary adjustment, provide the following information:

a. Copies of union contracts reflecting all current and future negotiated increases.

b. With reference to Morris testimony, page 4, more specifically identify "the Human Resources Department." Provide a copy of the "guideline" provided by this department.

c. With reference to the adjustment relating to extraordinary labor expenses because of 1989 flooding, Schedule WPC-2.1 appears to exclude only the 5 percent increase associated with the extraordinary expense and not the expense itself. Explain why extraordinary expense has not been eliminated.

d. A calculation of the wage and salary adjustment using the method employed by the Commission in the October 24, 1989 Order in Case No. 10201.¹

¹ Case No. 10201, An Adjustment of Rates of Columbia Gas of Kentucky, Inc.

e. Does Columbia agree with this method of calculating wages and salaries? If no, explain.

f. With reference to the 1988 SEC Report, page 4, provide a copy of the annual incentive compensation plan and amendments. Provide the levels reflected in the base and forecasted periods.

16. With reference to the proposed 4 percent inflation adjustment, provide the following information:

a. A copy of the source of the GNP Implicit Price Deflator Index.

b. Explain why Columbia believes this is an appropriate index upon which to base projected expense increases for a gas distribution company.

c. All available evidence indicating that this index has historically been a predictor of increases in Columbia's expense levels for the applicable accounts.

d. Explain how this adjustment meets the Commission's criterion that proposed adjustments be "known and measurable."

e. All evidence available to Columbia corroborating Columbia's position that a general 4 percent inflation adjustment is appropriate for these accounts.

17. With reference to the adjustment to increase LPG Expense by \$25,565 to reflect a 3-year average, provide the following information:

a. Schedule C-3.2 reflects that the 3-year average is based on 1987, 1988 and 1989 charges of \$113,821, \$110,269 and \$73,698, respectively. However, Columbia's annual reports for the

same periods reflect charges to Account 742 of \$130,044, \$126,797, and \$86,405. Explain the reason for these differences. Also reference the FERC Form 2, page and line number, or other reference, that is the source for the amounts used in Columbia's 3-year average calculation.

b. With reference to the following historical Account 742 data:

<u>Year</u>	<u>Amount</u>
83	\$ 12,588
84	16,051
85	15,304
86	45,896
87	130,044
88	126,797
89	84,405

(i) Explain the reasons for the substantial increases in this account beginning in 1987.

(ii) It was found in Case No. 10201 that the 1987 expense was extraordinarily high due to several extraordinary maintenance projects booked that year. Explain why an extraordinary year should be included in calculating a representative average of on-going expense.

(iii) Explain why the 1988 expense is significantly higher relative to years 1983-1986.

(iv) Provide any evidence deemed appropriate substantiating that Columbia's proposal yields a representative level of going forward Production Equipment/LPG Gas Expense.

18. With reference to the \$11,149 adjustment relating to Company used gas, provide the following information:

a. Explain the rationale for the methodology proposed to calculate this adjustment.

b. Explain why cost element 84 (which includes Franchise Requirements and Duplicate Charges) is used in arriving at this adjustment.

c. Identify the FERC account(s) which produce the \$56,765 amount used in the calculation of this adjustment.

d. Provide a copy of the source for the \$67,847 budgeted cost element 84.

e. State and provide a copy of the source showing 1990 budgeted cost element 8.

f. Provide a complete explanation of the relationship between cost element 8 and cost element 84.

19. With reference to the \$62,959 adjustment to eliminate Extraordinary Distribution Expenses as reflected in Schedule C-3.4:

a. Give a detailed explanation of the nature of the expenses included in cost element 92.

b. Explain all the circumstances relating to the adjusting entry that occurred in December 1989.

c. Provide all journal entries related to the adjusting entry.

d. Explain the relevance of Accounts 879, 892, and 916 to this exhibit and the significance of each in arriving at the \$62,959 adjustment.

20. With reference to the <\$6,971> adjustment to Customer Accounts Expense, provide a narrative explaining the rationale for the proposed methodology used in deriving this adjustment.

21. With reference to the \$9,211 adjustment relating to Account 892 - Labor:

a. Explain how this adjustment eliminates the \$8,340 in extraordinary labor resulting from the 1989 flood.

b. Does Columbia agree that an adjustment should be made to eliminate the extraordinary labor associated with the 1989 flood? If not, explain.

22. With reference to the adjustment to increase uncollectible accounts expense by \$259,733, provide the following information:

a. Explain the rationale for the proposal to adjust uncollectible accounts by the full amount of the Intrastate Utility Service ("IUS") customers' arrearages. Does Columbia expect this level of average write-offs to occur every year on an on-going basis?

b. Does Columbia agree that it would be more appropriate to amortize such extraordinary write-offs? If not, explain. If so, state Columbia's proposed amortization period.

c. Provide the most recent communication relating to these arrearages sent to the 3 IUS customers.

d. Provide the most recent communication relating to these arrearages received from the 3 IUS customers.

e. For each of the 3 IUS customers, provide a schedule showing the date and amount of payments received by Columbia relating to these arrearages.

f. State and explain Columbia's most recent efforts to collect these arrearages.

g. Describe Columbia's future plans to collect the arrearages.

h. Columbia describes a \$25,000 payment received from Phelps as a "final payment." Explain this characterization and provide all available evidence that this is a final payment.

23. With reference to the \$1,792 adjustment to Miscellaneous Sales Expense, provide a general explanation outlining the rationale for the methodology used in making this adjustment.

24. With reference to the Natural Gas Bus unveiling event:

a.. Provide a complete breakdown of all expenses associated with this event.

b. Reconcile the amount shown in Item A above with the February 13, 1990 Wall Street Journal article that quoted the total cost at \$702,898.

c. Provide a schedule showing how the total expense (from Item A) was allocated among the various Columbia Gas System companies.

25. With reference to the \$65,630 adjustment to Administrative and General Salaries adjusted to exclude the Natural Gas Bus related expenses, provide the following information:

a. Explain how the \$276 figure for salaries associated with the Natural Gas Bus was derived.

b. Provide the workpapers/calculations supporting this amount.

c. For each Administrative and General employee dedicating more than 1 hour of time to the Natural Gas Bus unveiling, provide the following information:

(i) the employee's name and position.

(ii) hours devoted to project.

(iii) description of duties relating to project.

(iv) annual salary of employee.

(v) explain how the compensation to each of the above employees is allocated to Kentucky.

26. With reference to the \$14,947 adjustment to Office Supplies to exclude the Natural Gas Bus unveiling expenses prior to applying the inflation factor, provide the following information:

a. Explain how the \$14,947 amount was derived.

b. Provide the workpapers/calculations supporting this amount.

27. With reference to the <\$184,395> adjustment to reflect a 3-year average of injuries and damages, explain why the amounts shown on Schedule C-3.12 do not match the amounts listed for Account 925 on page 325 of Columbia's FERC Form 2. (e.g. 1989 Form 2 = \$567,062; C-3.12 = \$559,597).

28. With reference to the \$525,636 adjustment to Pensions and Benefits, and Schedule C-3.13 provide the following information:

a. Clarify the C-3.13 footnote reference to "F.S page 2A, Line 39." (Provide "F.S." if not in record.)

b. Reconcile F.S. page 2A, Line 39, with FERC Form 2, page 325, line 260.

c. For each category (lines 3,7, and 11) provide a schedule showing all deductions/additions made to gross amount to arrive at the net expense.

d. Explain the reason for each deduction/addition identified in Item C.

e. For each category, provide the workpapers/calculations supporting the 1990 projected gross expense.

f. For each category provide all available documentation supporting the proposed adjustments (e.g. insurance quotes, insurance contracts, thrift plan agreements, pension and retirement agreements, etc).

29. With reference to the proposed adjustment to rate case expense of \$85,743, provide the following information:

a. As clarification to C-10,

(i) State the amount of unamortized rate case expenses from Case No. 10201 as of July 31, 1990.

(ii) State the monthly amortization expense of Case No. 10201 rate case expense.

b. As clarification to C-10,

(i) State the amount of unamortized rate case expenses from Case No. 10498² as of July 31, 1990.

² Case No. 10498, Adjustment of Rates of Columbia Gas of Kentucky, Inc.

(ii) State the monthly amortization expense of Case No. 10498 rate case expense.

c. With reference to Case No. 90-063 rate case expenses:

(i) With reference to C-3.14, explain the rationale for deducting test-year expenses from projected Case No. 90-063 projected expenses to arrive at the proposed adjustment.

(ii) Does Columbia agree that Case No. 90-063 expenses should be amortized? If not, explain.

(iii) Explain why C-3.14 lists outside services as \$79,118 while C-10 lists this expense as \$141,118.

(iv) With reference to schedule C-10, provide a detailed breakdown of Case No. 90-063 rate case expenses for outside services, special system services, and employee expenses.

30. With reference to the \$61,056 adjustment to rents expense:

a. Provide a copy of the lease agreement showing the \$1,917,026 semi-annual lease payment.

b. Provide a schedule showing how this lease payment is allocated among the Columbia Gas System companies.

31. With reference to the \$119,547 expensed to cost element 42 accounts, provide the following information:

a. With reference to Tab 20 of Columbia's Notice Filing, reference the specific items referred to on pages 10 and 11 of Morris's testimony which produce the projected 10.7 percent increase.

b. Show the calculations which produce the 10.7 percent increase.

c. Reconcile Schedule C-3.17 with Tab 20 of Notice Exhibit 4C.

d. Provide all documentary evidence available to support the projected 10.7 percent increase in cost element 42 expenses.

32. With reference to Irwin testimony, pages 4-8, concerning the tax and rate-making treatment of the various property vintage groups, provide a breakdown showing the depreciation history in the format shown in Schedule A.

33. With reference to the unbilled revenue rules of TRA 86 and Columbia's book accrual of unbilled revenues in 1982, provide the following information:

a. All journal entries since 1982 associated with the 1982 booking of unbilled revenues.

b. Identify and explain the effects of the 1982 accrual on the balances of the December 1989 balance sheet.

c. All journal entries since 1986 associated with the TRA unbilled revenues rules.

d. Identify and explain the effects of the TRA 86 unbilled revenue rules on the December 1989 balance sheet.

e. Identify and explain the effects of the TRA 86 unbilled revenue rules on Columbia's 1989 income statement.

f. State the December 1989 level of deferred tax credits associated with the 82 booking of unbilled revenues.

g. State the December 1989 level of deferred tax debits associated with the TRA 86 unbilled revenue rules.

h. In Columbia's opinion, was the deferred credit resulting from the 82 unbilled revenue booking a permanent or a temporary timing difference? Explain. Are the deferred debits resulting from the TRA rules permanent or temporary differences? Explain.

34. Provide a summary of Columbia's rate case proposals in the format specified in Schedule B.

35. With reference to Burchett testimony page 6, line 22:

a. Clarify the term "fixed cost" in this context.

b. State the amount of such fixed costs included in Columbia's proposed cost of service.

c. Show the derivation of the amount stated in Item b. above.

d. State what the minimum charge would be to recover all fixed costs.

36. With reference to Payne testimony, provide references (or calculations/workpapers if no reference exists) for the following items:

a. Page 3, line 3 - amount \$10,059,747

b. Page 4, line 4 - amount \$112,824,556

c. Page 3, line 7 - amount \$106,941,717

d. Page 3, line 9 - amount \$4,176,908

e. Page 3, line 11 - amount \$10.8 million

(Schedule B-2.3 reference
insufficient)

- f. Page 3, line 14 - amount \$10,181,323
- g. Page 3, line 18 - amount \$330,000 (Schedule B-4 reference insufficient)
- h. Page 3, line 26 - amount \$1,503,543 (Schedule B-3.2 reference insufficient)

37. With reference to Payne testimony, page 6 and schedule B-5.1, page 3 and 5, rate base prepayment item "Firm Storage," provide the following information:

- a. State and explain the basis for the projected monthly Firm Storage balances shown on Schedule B-5.1, page 4.
- b. Provide all workpapers and calculations supporting projected monthly Firm Storage balances.
- c. Provide the FERC RP86-186 Order approving Columbia Transmission Firm Storage Service. Provide any other FERC Orders involved in establishing Firm Storage Service. (Payne testimony, page 6.)
- d. Provide a copy of all Columbia - Columbia Transmission agreements relating to Firm Storage Service.
- e. Provide an analysis showing projected gas cost savings to result from Firm Storage service for the years 1990-1993.
- f. State and explain the impact of Firm Storage Service on nominated gas purchases.
- g. Provide an analysis showing the projected reductions in nominated gas purchases as a result of Firm Storage Service for the period 1990-1993.

38. With reference to Meister testimony, provide the following information:

a. Page 2 - Provide a complete copy of the 1990 Grass Roots Operation and Maintenance Expense Budget as submitted to management.

b. Page 10 - Provide a complete copy of the 1990 "Construction and Retirement Budget Program" as submitted to management.

39. With reference to Exhibit B-5.1, proposed Other Working Capital Allowance of \$14,636,100, state and explain the basis for the 13 month projections, and provide the supporting workpapers/ calculations for the following items:

a. Plant Materials and Operating Supplies	\$765,436
b. Fuel Stock	\$117,924
c. Insurance	\$51,696
d. Regulatory Commission Expense	\$70,377
e. Prepaid Pension Expense	\$357,455

40. With reference to Lavelle testimony, provide the following information:

a. Reference WJL-1, page 2 of 8, line 69 - Provide a general discussion explaining the nature of the \$34,257 incurred for "Employee Meals and Entertainment Expense." Include in the discussion Columbia's policies for incurring these expenses and break-out the expense to show the portion related to "Entertainment."

b. Reference WJL-1, page 25, line 19 - Provide the citations supporting the statement "Affiliates indeed are not

permitted by Federal laws to make a profit when performing O and M work for other system companies."

c. Reference WJL-1, pages 2, 5, 7, 8 - For each of these related-party schedule summaries indicate the impact of Columbia's adjustments on each of the affiliated transaction amounts listed on these schedules.

41. With reference to Tab 1, page 2 of Columbia's application, provide depreciation schedules supporting depreciation expense for the 1989 period and 1990 forecasted period. Provide the same information for tax depreciation.

42. Provide an analysis showing the flowback of excess deferred taxes resulting from the reduction in the tax rate from 46 percent to 34 percent under the average rate assumption method. Provide supporting workpapers/calculations.

43. With reference to Tab 1, pages 3-6, explain the reasons for the increases in the following plant accounts during 1989.

a. Page 3, line 3; Franchises - Limited

b. Page 4, line 15; Mains

c. Page 4, line 18; M & R Station Equip.-Gen.-Loc. Gas
Purchases

d. Page 4, line 20; Services

e. Page 5, line 5; Office Furniture-Information
Systems

f. Page 5, line 18; Power Operated Equipment

g. Page 5, line 22; Capitalized Leases

44. With reference to Tab 1, page 7, line L, Forecasted Employee Benefits are projected to increase by 27.4 percent above the 1989 level. Provide the following information:

a. A comparison of 1989 and Forecasted Employee Benefits for each benefit category.

b. An explanation for the increase in each expense category.

c. State and explain the impact of FASB 87 on 1989 and forecasted employee pension benefits.

45. With reference to Tab 1, pages 8-11 of Columbia's application, provide an explanation for the level of change in the following accounts during 1989 relative to 1988.

a. Page 10, line 10; Misc. Customer Accts. Exp-M & E

b. Page 10, line 20; Inform & Inst. Adv. Expenses

c. Page 10, line 29; Advertising Expenses - M & E

d. Page 10, line 31; Misc. Sales Expenses - M & E

e. Page 11, line 5; Outside Services Employed

f. Page 11, line 8; Injuries & Damages - M & E

g. Page 11, line 10; Insurance Plan

h. Page 11, line 12; Retirement Plan

i. Page 11, line 21; Rents

46. With reference to Schedule A-4, provide the following information:

a. Workpapers/schedules showing the derivation of Operation and Maintenance Expenses of \$19,550 and Depreciation & Amortization Expense of \$2,936.

b. A breakdown of plant associated with cost of service - propane included in Columbia's proposed rate base.

47. Per Schedule A-1, total proposed taxes after the increase are \$5,031,620. Based upon the proposed increase of \$8,572,594 and a composite tax rate of 39.364 percent, taxes on the increase are \$3,374,516. Thus normalized taxes are \$1,657,104 (\$5,031,620 - \$3,374,516). Provide a schedule that reconciles the \$2,301,433 1989 expense with the \$1,657,104 normalized expense. The schedule should include the following categories:

- a. Marginal effect of revenue adjustments.
- b. Marginal effect of expense adjustments.
- c. Individual lines showing marginal effect of all adjustments made by Mr. Irwin in Schedule C-5.

48. With reference to Schedule C-6,

a. State and explain Columbia's position as to the benefits accruing to Columbia's ratepayers as a result of Columbia's membership in the following clubs:

- (i) Worthington Hills Country Club
- (ii) The Country Club of Murifield
- (iii) Bellefonte Country Club
- (iv) Frankfort Country Club
- (v) Lexington Country Club
- (vi) Lafayette Club
- (vii) Spring Lake Country Club
- (viii) Winchester Country Club
- (ix) Athletic Club of Columbus
- (x) Hickory Hills Country Club

49. With reference to Schedule C-7, pages 4-6,

a. State whether any of these contributions are included in Columbia's proposed cost of service. If so, identify each contribution that is.

b. Identify by organization and amount all charitable contributions that are included in Columbia's proposed cost of service.

50. With reference to Schedule C-8, identify the amounts in the "Forecasted Period 1990" that are included in Columbia's proposed cost of service.

51. With reference to Schedule C-9:

a. Identify any amounts from this schedule that are included in Columbia's proposed cost of service.

b. State whether Columbia employs or is allocated a portion of the salary of anyone whose job duties include lobbying duties. If so, state the annual salary of this employee and the amount of this salary included in Columbia's proposed cost of service.

52. With reference to Accounts Payable associated with prepaid nominated gas, provide the following information:

a. Provide actual month end Accounts Payable for the period December 1988 through the latest available month.

b. Provide Columbia's proposed 13 month average for Accounts Payable for the period December 1989 through December 1990.

c. Explain the basis for the projection in B.

53. State the level of Management Audit Expenses included in:

a. Base period.

b. Columbia's proposed cost of service in the forecasted period.

54. Provide a discussion detailing the pricing policies of Columbia Gas System with regard to affiliate company transactions.

55. With reference to Lavelle testimony, WJL-1, page 1, and notice of intent Part II, Section S, explain differences in the two schedules for 1989 titled "Detail by Budget Sponsor of Affiliated Billings."

56. With reference to the October 21, 1988 Order in Case No. 10201 pages 29-31, has Columbia complied with Commission directive to capitalize Distribution Information system costs and amortize over a 15 year period. State the amount of distribution costs included in Columbia's proposed cost of service. State the amount of distribution costs included in Columbia's proposed rate base.

57. With reference to Columbia's filing of July 23, 1990, Reconciliation of Capital and Rate Base, provide the following information:

a. Workpapers to support the average amount of short-term debt of \$14,263,000.

b. Reconcile the amount of deferred ITC of \$2,585,000 from this filing with the amount of \$2,703,111 as shown on page 113 of the 1989 FERC Form 1, explaining the reasons for the difference.

c. A similar reconciliation for the forecasted period.

58. At page 4 of Lavelle testimony he states he is responsible for maintaining financial data and related statistics used to develop allocation losses when direct charging is not feasible. How often are these losses developed? When was the last determination conducted? What analysis has been conducted to quantify the benefit from the centralized headquarters and other affiliate transactions. How can you be confident these allocation losses are used properly when a decentralized accounting system is in place?

59. Provide a schedule showing the breakdown of total general office expense to each affiliate by budget sponsor.

60. Identify and explain the differences between costs identified as service corporation costs and general office costs.

61. With reference to the general office, provide an explanation of the allocation of the facilities to the various jurisdictions and the development of any imputed interest and related "carrying" charges to the various jurisdictions.

62. In reference to the underground storage facilities, provide the following:

a. The cost saving associated by the usage of Columbia's natural gas storage facilities during the test year. Provide a table showing the spot gas prices during the injection periods, the cost of using the storage facilities, the storage gas loss, and the spot gas price during the withdrawal periods.

b. The number, location and capacity of storage facilities that provided gas to Columbia during the last year.

c. Identify the name of the company that operates the gas storage facilities for Columbia Gas Co. and the cost allocated to Columbia, if any.

63. In reference to the construction work, provide the following information for each of the projects listed in Schedule B4, Item 4, of the supplemental filing.

a. Feasibility study of the project.

b. Flow map(s).

c. Construction schedule.

d. Estimated budget, contracts' bids and actual cost.

The actual cost should be broken down to the overhead, engineering and supervision, material and labor.

64. For the estimated capital investment of \$30 million for 1990-92, what are the projected construction projects?

65. What is the procedure implemented by Columbia in planning and approval of the construction projects? Provide the long-term construction planning.

66. In reference to General Propane Service ("GPS"), provide the following information:

a. Is propane provided to all classes of Columbia customers? Provide a sketch or sketches showing the manufactured gas facilities and the location of injection points into Columbia's system.

b. With the adaptation of the underground storage facilities to meet the gas requirement during peak consumption, is the manufactured gas still necessary and feasible for peak shaving? Explain.

c. What was the average cost of the manufactured gas per Mcf or dekatherm in the test year?

67. Provide graphs and sketches showing Columbia's system capacity, peak consumptions and average consumption for the major transmission and main lines.

68. Is there any revenue allocated to Columbia from the Blanket Budget, e.g., obsolete items having a considerable salvage value, meters, regulators, etc.? Explain.

69. Provide the following information regarding the development of the sales volumes for the 1990 test year as described in Mr. Burchett's testimony:

a. 1990 sales by customer class are shown in the supplemental filing requirements at (1) Productivity Data - page 14; (2) Component Efficiency Measures - pages 2,5, and 6; Schedule C-14.2 - Sales Statistics; Schedule E-4.1 - Revenues at Current and Proposed Rates. There are several discrepancies between the volumes shown on these various schedules and in some instances the volumes on these schedules do not agree with the 1990 volumes shown on Shoemaker Exhibit EIS-2. Reconcile the discrepancies and clarify whether the volumes included in Schedule E-4.1 are the correct 1990 volumes based on Columbia's sales forecast.

b. A revenue (billing) analysis using calendar year 1989 billing units in the same format used in Schedule E-4.1. This should reflect the weather normalization adjustment shown on Exhibit EIS-1 and should include revenues calculated at both present and proposed rates.

70. Provide the following information regarding the proposed main line rate:

a. The number of customers that are served through dual purpose meters.

b. For each such customer the actual 1989 volumes and forecasted 1990 volumes. Customers may be identified as customers A, B, C, etc.

c. Provide the calendar year 1989 average rate for each of the customers listed in part (b) identifying the negotiated rates and their effective rates.

d. Mr. Burchett states that Columbia has little or no investment in place to serve these customers. Explain, in detail, the nature of any investment Columbia has in place to serve these customers.

e. For each customer explain what would be required in terms of new or existing facilities in order to bypass Columbia.

f. Explain how the proposed rate of 10 cents per Mcf was derived.

71. Provide the following information regarding the proposed propane service:

a. An explanation of whether this is specifically intended for Champion Subdivision or whether there are other areas Columbia expects to serve in the near future.

b. An explanation for why the proposed revenue level is only \$24,788, shown on Schedule A-2, as compared to the propane cost of service of \$40,065, as shown on Schedule A-4.

72. Provide the following information regarding the proposal to eliminate the customer charge and implement a minimum bill:

a. A detailed description of what Columbia's customer contact people have told Mr. Burchett regarding customer preference for a minimum bill.

b. The results of any customer surveys or other data which have been used to determine customer preference for a minimum bill.

c. Mr. Burchett discusses a proportionate increase plus an additional increase of \$1.00. Provide the calculation of the proposed minimum bill of \$8.35 showing by steps the proportionate increase and the addition of \$1.00.

73. Regarding Schedule E-4.1, page 5 of 10, provide the following information:

a. For delivery service on Schedule GS, provide the source and derivation of the flex rate of 10 cents shown on line 9.

b. For delivery service on Schedules FI and IS, provide the source and the derivation of the flex rate of 41.15 cents shown on lines 22, 26, 32, and 36.

74. Regarding Exhibit EIS-1 and the level of weather normalized sales reported in column 3, provide the following information.

a. The annual use per customer for each customer class (both sales and transportation) based on the 1989 average number of customers for each class. Show all calculations.

b. In a format similar to Exhibit EIS-1, provide schedules for the calendar year 1985 through 1988 showing, by customer class, actual Mcf volumes, weather normalized volumes, average annual customers and annual use per customer.

c. 1989 adjusted volumes - total throughput - for residential and commercial are 10,908,197 and 7,373,941 Mcf, respectively, compared to the 1989 estimates of 10,537,600 and 6,727,900 shown on the development sheets in Appendix B to Exhibit EIS-2. Provide a listing and detailed description of the factors that resulted in actual 1989 residential and commercial volumes exceeding the forecast by approximately 987,000 Mcf.

75. Provide the following information regarding Exhibit EIS-2 and Columbia's forecasting methodology:

a. An expanded version of Table 1 on page 3 which shows normalized actual use per residential customer for the years 1985, 1986, and 1987 for existing, new, conversion, and total customers.

b. An expanded version of Table 1 on page 6 which shows normalized actual use per commercial customer for the years 1985, 1986, and 1987 for existing, new, conversion, and total customers.

c. For the industrial class a summary schedule showing actual Mcf volumes for the years 1985 through 1988 and forecasted volumes for the years 1989 through 1994.

76. Provide the following information regarding the Trutemp normalization method covered on pages 33 through 44 in Exhibit EIS-2:

a. For the 1988-89 and 1989-90 heating seasons a comparison of the Trutemp factor using first the October to May period and secondly using all months that contain temperature sensitive usage.

b. A detailed explanation of the derivation and selection of one-third the absolute difference between the temperatures as the factor used to select a new specified BPT as described on page 38.

c. For calendar year 1989 a comparison of adjusted volumes based on the Trutemp normalization technique and the adjusted volumes derived using the traditional heating degree day approach.

77. Regarding Appendix A of Exhibit EIS-2, provide the following information:

a. For new, existing and conversion customers, provide the year-end number of residential customers for the calendar years 1985, 1986, and 1987.

b. A detailed explanation of the independent variables outlined on Chart 3, page A.14; specifically, explain the absence of trends as a variable for the residential class.

c. For the years 1985 through 1989 a comparison of Columbia housing completions and the number of new customers added to Columbia's system.

d. A detailed description of the grass roots approach used in the first two years for the new and conversion customer forecasts.

e. Identify the trends mentioned on page A.4 under use per customer that are in log form and the trends that are linear.

78. Specify the complete econometric models and provide a complete description of the data used for the estimation of use per customer ("UPC") for the residential and commercial classes as described in Exhibit EIS-2.

79. Using all pertinent regression or econometric output and results and all other calculations, derivations, studies or analyses, explicitly show and describe how each forecasted value in Table 1 on page 3 and Table 1 on page 6 of Exhibit EIS-2 were determined. Show how these forecasted values were then used to determine the forecasted sales volumes shown in Column 4, lines 2 and 3 in Exhibit EIS-1.

80. Explicitly show and describe how the forecasted sales volumes shown in Column 4, lines 4, 7, and 8 in Exhibit EIS-1 was determined.

81. a. Refer to Vari testimony, Schedule 9, page 2 of 3. Provide the estimates of earnings for the Moody's Gas Distribution Companies as stated in the most recent editions of Value Line (i.e. July 6, 1990).

b. If the most recent estimates are used, what is the revised "Average of Historical Dividend Growth Rate and Projected Earnings Growth" as previously shown on Schedule 9, page 3 of 3?

c. Provide copies of the most recent updates of Dean Witter, Merrill Lynch and First Boston which discuss updated estimates of the growth rate in earnings per share.

82. Provide a copy of the most recent Value Line report for the Columbia Gas System.

83. In the Commission's Order in Case No. 10498 dated October 6, 1989, the Commission made no allowance for flotation costs, finding that "Columbia has been unable to specifically identify these costs." Does Columbia wish to comment on this policy and/or provide the amount of flotation costs at this time?

84. Provide the amounts and interest rates of additional issuances of Series B medium term notes (expected to total \$100 million) as these issuances occur throughout this rate proceeding.

85. According to the Columbia Gas System's 1989 Annual Report to Stockholders, the capital structure consisted of 46.3 percent common equity and 53.7 percent debt. Reconcile this to the Revised Information submitted July 12, 1990, Schedule D-1.1, page 1 of 1 "Revised" (Base Period), which shows a capital structure of 51.28 percent common equity and 48.72 percent long-term debt. Fully explain and support any differences between the two.

86. Refer to Revised Schedule D-1.2, page 1 of 1, (Forecasted Period). These amounts are the same as in Vari testimony, Schedule 14, which showed the capitalization projected as of December 31, 1990. However, Schedule D-1.2 calls for average forecasted period capital structure, not end-of-period. Provide the average forecasted period capital structure, along with all workpapers, adjustments, and underlying assumptions.

87. Provide the amounts, costs, and interest associated with the Limited Resource Loan Agreement for the base period and the forecasted test period.

88. Describe in detail the actions which Columbia has taken to implement the recommendations of the management audit completed in 1986.

89. Identify all costs and benefits included in the test period from Columbia's efforts to implement the recommendations of the management audit. What costs and benefits from these efforts are amounts anticipated annually over the next three years?

90. Explain in detail how any of the costs and benefits associated with the implementation of the management audit recommendations have been taken into consideration in the determination of the proposed revenue requirements in this case.

91. Describe completely the derivation of each allocation factor shown on Schedule No. 8 of both cost-of-service studies filed on August 16, 1990. Provide all calculations and workpapers.

92. Completely compare and contrast the two cost-of-service studies.

93. Provide a complete explanation of the two cost-of-service methodologies used in these studies and explain why these two methodologies were chosen.

94. Explain fully how the results of the two cost-of-service studies were used to determine the allocation of the proposed revenue increase to each rate schedule. Provide all workpapers and calculations.

95. Explain fully why direct testimony pertaining to the cost-of-service studies was not provided in this case.

96. Explain why cost-of-service studies were not filed in this case until requested by the Commission.

97. Provide similar cost-of-service studies utilizing proposed rates.

98. Provide all workpapers pertaining to the cost-of-service studies not heretofore requested.

Done at Frankfort, Kentucky, this 21st day of August, 1990.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:


Executive Director

Schedule A

<u>Item</u>	<u>Original</u> <u>Book Cost</u>	<u>12/31</u> <u>89</u> <u>Book Value</u>	<u>Original</u> <u>Tax Basis</u>	<u>12/31</u> <u>89</u> <u>Tax Basis</u>	<u>Historical</u> <u>Rate-making</u> <u>Treatment</u> **
-------------	-------------------------------------	--	-------------------------------------	---	--

Categories*

Declining Balance

ADR Property

ACRS Property

MACRS Property

* Each category should itemize all vintages.

** Flow thru or normalized.

Schedule B

	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>
	Base ¹ Period	Adjustments ²	Adjusted ³	Increase ⁴	Pro Forma
OPERATING REVENUES:					
REVENUE FROM SALES					
OTHER REVENUE/CREDITS					
TOTAL OPERATING REVENUES					
OPERATING EXPENSES:					
PURCHASED GAS					
OTHER OPERATING AND MAINTENANCE					
DEPRECIATION/AMORTIZATION					
OTHER TAXES					
INCOME TAXES					
COST OF SERV - PROPANE					
TOTAL OPERATING EXPENSES					
OPERATING INCOME					

¹ 1989 Actual.

² Adjustments to Normalize.

³ Column 1 and Column 2.

⁴ Increase and taxes associated with increase.